



ALASKA CREDIT UNION LEAGUE

June 21, 2011

Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

By Email to regs.comments@federalreserve.gov

RE: EFTA Section 920 Amendments
Docket # R-1404

Dear Board of Governors,

While the Debit Interchange Fee Reform Act of 2011 did not get the 60 votes needed to pass earlier this month, more than half of this Nation's Senators did vote in support a bill that would clarify and amend the your mandate from Dodd/Frank with regard to Debit Interchange. The message was that implementation of Interchange Reform should be done in a way that protects small issuers like Credit Unions.

Please keep the following in mind when finalizing your regulation on Interchange reform:

- In passing Dodd Frank, Congress directed the FRB to consider the costs to the large debit card issuers, but intended income to small issuers be unaffected by including the small issuers exemption.
- The Networks should be required to report to the FRB that they have developed a two-tier system that will provide higher fee income to small issuers than that allowed to large issuers.
- In addition, ongoing reporting from the Networks should be provided on fees to small issuers to ensure that the two tier system remains effective.
- Congress should then be updated on a regular basis as to the performance of this structure. It was made very clear on the floor of the senate that if the small issuer exemption is not effective, it will be fixed. In order to ensure that this is carried through, the reporting must be in place and frequent!
- All allowable costs should be included in the fee ceiling. There are real costs to operate these very complex programs that were not factored into the original proposal, and they should be.
- Merchants will now have additional flexibility to determine how debit card transactions are routed. In order to reduce the gap between large issuer and small issuer's costs, and therefore the incentive to route transactions to large issuers, the ceiling for large issuers should be as high as possible.
- Please exempt small issuers from the routing and exclusivity provisions that provide latitude to merchants on the routing of transactions and require issuers to belong to at least two networks. If you determine that you do not have legal authority to do that,

AFFILIATED WITH CREDIT UNION NATIONAL ASSOCIATION

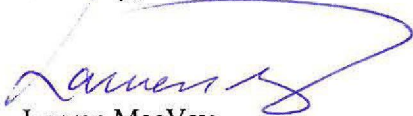


you should delay these provisions for at least two years. The fee ceiling provisions must take effect July 21, 2011 but there is no statutory effective date for the routing and exclusivity provisions.

These provisions are critical not just to our continued ability to offer check cards to our membership in a reasonable and competitive fashion. We believe that these regulations, implemented without adequate protections for small issuers who do not have the economies of scale of the much larger banks, could result in lost membership and an inability to compete for business for Credit Unions and Community Banks. This was clearly not the intent of Congress.

We ask that you include provisions like those above that will carry out the legislative intent of Congress. Our thanks for you time and attention.

Sincerely,



Lauren MacVay

ACUL Chair
President/CEO, True North Federal Credit Union